

2.3 SPORTS GROUND FEES AND CHARGES

(JG)

Responsible Director: Julie Salomon

EXECUTIVE SUMMARY

PURPOSE

The purpose of this report is to advise Council on the outcomes of the consultation with sports clubs regarding the proposed new sports ground fees and charges methodology.

KEY CONSIDERATIONS/ISSUES

Following the 13 December 2016 Council meeting, officers were authorised to consult with sports clubs regarding the introduction of a new sports ground fees and charges methodology.

Generally, Monash sports clubs were accepting of the proposed methodology and supportive of a pricing system for turf grounds where junior fees (for teams with players aged 13 -17 years) are set at 50% of senior fees and under 13 year old team fees are set at 25% of senior fees.

Whilst supportive of the rationale behind the new methodology, a small number of clubs raised concerns about the increases they are likely to incur and requested that Council introduce fee increments to ensure clubs can transition to the new pricing model.

FINANCIAL IMPLICATIONS

In the event of a team fee increasing by more than 15% on current costs as a result of applying the new modelling of fees and charges, it is suggested that the club fees would be incrementally increased by 50% of the difference between the existing fee and the new fee over a period of two (2) years to transition to the new fee structure.

CONCLUSION/RECOMMENDATION

Following the consultation with summer and winter season tenants, no club indicated they were fundamentally opposed to the introduction of an equitable sports ground fees and charges methodology. It is therefore recommended Council adopt the proposed new sports ground fees and charges methodology which is based on recouping a percentage of sports ground maintenance.

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RECOMMENDATION

That Council:

1. *Adopts and implements the new turf sports ground fees and charges policy from the 2018/19 summer season, and in doing so, notes that the proposed sports ground fees and charges policy is based on recouping a percentage of sports ground maintenance costs as follows:*
 - a. *a 15% recovery of annual maintenance costs for natural turf playing fields;*
 - b. *junior fees (13-17 years) to be set at 50% of senior fees and under 13 year old team fees to be set at 25% of senior fees; and*
 - c. *turf wicket users to incur an additional 15% turf wicket maintenance levy.*
2. *Phases in fee increases over a two year period for clubs that experience fee increases of 15% or more as a result of this policy;*
3. *Adopts and implements the new tiered schedule of fees and charges for synthetic sports surfaces from March 2018;*
4. *Applies the new fees and charges for synthetic surfaces retrospectively for use of Jack Edwards Reserve by the resident tenant clubs and their 2015/16 and 2016/17 invoices for synthetic surface usage be amended to reflect the revised fees accordingly; and*
5. *Requires any outstanding club fees and charges be paid in full (except when a Council-approved repayment scheme has been negotiated) before new season ground allocations are granted to clubs.*

INTRODUCTION

The purpose of this report is to recommend that Council proceed to apply a fair and consistent rationale for applying fees and charges for sports grounds.

The proposed fees and charges methodology will apply against natural turf sports surfaces. It excludes pavilion fees and charges, leased facilities such as bowling clubs and tennis clubs. The process to review pavilion fees will involve consultations with tenant clubs and will be the subject of a separate report to Council later in 2018.

A separate tiered pricing model will apply for synthetic surfaces.

BACKGROUND

Current Situation

Natural turf sports ground fees and charges have historically been based on the fee for the previous year with an annual percentage increase as approved by Council. The current club fees for a natural turf field do not reflect current ground maintenance costs.

Following the construction of the first synthetic surfaces in Monash at Jack Edwards Reserve in 2015, Council endorsed a tiered pricing model for synthetic sports surfaces that was based on the full cost of replacement after 20 years. The fee was a scaled hourly rate with no distinction for the number or ages of teams using the grounds.

Fees and Charges Review

Council officers consulted with other Councils and leading experts in strategic planning for active reserves to ascertain current industry best practice in sports ground pricing methodology.

Monash fees and charges, maintenance budgets, participation rates, the grade of playing fields and sporting codes were all analysed. The analysis revealed a number of shortcomings, which included that the current fee structure is not linked to the actual costs incurred by Council, nor were they equitable or based on sound rationale.

A proposed pricing methodology was presented to Council in December 2016. Officers were authorised to consult with sporting clubs to ascertain their responses to the proposed pricing methodology. Initial club response rates were low and in April 2017 the consultation period was further extended.

DISCUSSION

VAGO Report

The Victorian Auditor General Office (VAGO) *Fees and Charges-Cost Recovery by Local Government Report* released in 2010 identified that Councils do not consistently base their fees and charges on actual costs, nor take account of other societal, economic and legal factors when establishing prices for community services.

The VAGO report recommended that Councils should develop and endorse central policies on service costing that provide guidance to staff on:

- Principles of cost recovery and their relationship to service delivery objectives; and
- The methodology for costing Council services and the associated rationale.

The Monash Fees and Charges Policy (2016) was subsequently developed to ensure fee setting decisions are evidence based and demonstrate consideration of direct and indirect costs, best value principles and competitive neutrality policy requirements. Under this policy, each department has been required to determine the pricing option and the relationship between the fee level and the associated expenses.

The proposed sports ground fees and charges methodology is consistent with the *partial cost recovery* option under the Monash Fees and Charges Policy whereby the fee is set at a subsidised level.

New Pricing Methodology for Natural Turf

The proposed methodology for determining natural turf sport ground fees and charges has been based on recouping a percentage of sports ground maintenance costs from all sports clubs across all codes. Key features of this methodology include:

- a. A 15% recovery of annual maintenance costs for natural turf playing fields;
- b. Junior fees (for teams of players aged 13-17 years) to be set at 50% of senior fees and under 13 year old team fees to be set at 25% of senior fees; and
- c. Turf cricket wicket users to incur an additional 15% levy (i.e. a 30% recoup of summer maintenance costs).

Under the proposed methodology, Council (and the broader community) will subsidise sports ground maintenance costs by 85 percent. Based on actual maintenance costs, some clubs are currently paying more than 15% and some clubs are paying less than 15% of the costs associated with maintaining their allocated ground/s.

The proposed methodology suggested that clubs that utilise turf wickets be charged an additional 15% levy, on top of their annual ground fee, to contribute to the higher cost of turf wicket preparation and maintenance. The 15% levy is based on recouping 15% of the annual turf wicket related costs. A detailed breakdown of the proposed methodology was presented to Council at the 13 December 2016 Council Meeting.

Sports grounds are rated on a sliding scale based on the level of maintenance required as detailed in *Attachment 1: Active Monash Fees and Charges Policy*. It is recommended that when a sports ground surface is upgraded or redeveloped that its rating be reviewed and adjusted accordingly.

Actual sports ground maintenance costs will be revisited every five years and the policy methodology reapplied to ensure the fees and charges levied continue to reflect actual maintenance costs. In the second, third, fourth and fifth years, fees and charges will be adjusted by a Council approved percentage that is universally applied across all Council programs and services and applied on a per team basis.

It should be noted that the proposed fees and charges methodology will automatically be applied to the Richmond Cricket Club once the term of their current occupancy agreement which ends in 2037 (25 years from 1 November 2012).

Clubs that have outstanding fees and charges from the previous twelve months will not be allocated access to any sportsground and/or pavilion for the following season until such time that debts have been paid in full or a mutually agreed repayment scheme has been negotiated.

Pavilion Fees and Charges

Pavilion fees have not been revised as part of this policy. It is proposed that this review be the subject of a separate piece of work to be undertaken during 2018/19 and that a sound rationale be established to guide pricing.

In the meantime, pavilions are rated on a sliding scale from A – highest standard through to C – basic standard. When a pavilion is upgraded or redeveloped, its rating is reviewed and the occupancy charges adjusted.

Synthetic Sports Surfaces Fees and Charges

Following the construction of the first synthetic surfaces in Monash at Jack Edwards Reserve in 2015, Council endorsed a tiered pricing model for its synthetic sports surfaces.

It was initially determined that fees and charges for synthetic surfaces would be based on a full cost recovery over the life of the surface. However this approach meant that tenant clubs fees were set at a level that was more suited to casual hire.

Chisholm United Football Club, which is a junior football club of approximately 240 members registered with Football Federation Victoria (FFV), is based at Jack Edwards Reserve and plays on a synthetic surface. The fees and charges schedule has proven to be a significant challenge for the club to maintain and offer affordable access and participation in sport for many families in Oakleigh. To date Council has not fully recovered fees from either tenant club for the synthetic surface at Jack Edwards Reserve since April 2016.

Table 1 below summarises the new approach which is proposed for synthetic sports surfaces fees and charges, calculated on a cost recovery of ground and lighting maintenance valued at \$30,000 per annum. It excludes the utilities costs for the use of the lights which will remain the responsibility of the tenant club/s. The commercial rate (Category 5) is based on achieving a higher level contribution to capital replacement costs.

It is proposed that synthetic sports surfaces fees and charges will be adjusted annually by a Council approved percentage increase that is universally applied across all Council program and services.

Table 1: Proposed Synthetic Sports Surfaces Fees and Charges

Category	User Category	Fee
Category 1	Tenant Club/s (\$11 per hour capped at 20 hours per week)	\$220.00 per week
Category 2	Tenant Club (additional hours over 20) and non-tenant Monash Clubs	\$22.00 per hour
Category 3	Schools	\$33.00 per hour
Category 4	Casual rate for non-Monash based clubs	\$44.00 per hour
Category 5	Commercial rate (including tenant clubs for commercial use)	\$200.00 per hour

It is recommended that the fees for the tenant fees for Jack Edwards Reserve (Chisholm United Football Club and Oakleigh Cannons Football Club) be recalculated based on the proposed synthetic fee schedule and that the invoices be re-issued to these clubs for 2016/17 and 2017/18. This is in recognition of the financial burden faced by the clubs when the schedule of fees for synthetic surfaces was introduced when Jack Edwards Reserve synthetic surface was installed which compromises access and participation. It is also proposed that this new rate be applied to the synthetic surface at Gardiners Reserve, Burwood to ensure affordability for club members.

CONSULTATION

Officers have completed a comprehensive consultation with Monash sports clubs in regards to the proposed pricing methodology.

Generally clubs were accepting of the proposed methodology for natural turf grounds and supportive of its associated pricing system whereby junior fees are set at 50% of senior fees and under 13 year old team fees at 25% of senior fees.

A small number of clubs raised some concerns regarding significant increases in their fees and charges under the new methodology, however there was a general acknowledgement that they have been receiving a 'good deal' and paying fees well below industry standards.

Overall there was no significant opposition from clubs in regards to the proposal to introduce the new pricing methodology. Even though a small number of clubs will be affected by significant increases, it was understood that the proposed fee is based on a 15% recoup of the real cost to Council (and the community) for maintaining their sports ground/s.

The new methodology fairly reflects that Council's premium sports grounds, such as Central Reserve and Warrawee Park, cost significantly more to maintain than a C grade sports ground such as Argyle, Freeway, Tally Ho or Jordan Reserves.

Discussions with the two clubs with synthetic surface at Jack Edwards Reserve (Chisholm United Football Club and Oakleigh Cannons Football Club) reinforced the issues associated with the previous pricing structure. They were supportive of the new model and for it to be applied retrospectively to their outstanding fees.

The consultation with sports clubs involved the following communications:

DATE	COMMUNICATION/CONSULTATION
2 February 2017	An email was sent to all sports ground based clubs with a PDF letter, advising of potential changes to fees & charges in the new financial year. A number of clubs requested additional information.
24 February 2017	An additional email was sent to clubs, providing club specific details on the proposed methodology and implications. Six clubs requested a face to face meeting whilst others requested further information and clarification. The clubs that met with officers included the Eastern Lions Soccer Club; the Oakleigh Cannons Football Club; the Waverley Softball Association; the Glen Waverley Hawks Sports Club (also submitted a formal letter); Monash Cricket Club; and Oakleigh Cricket Club.
25 May 2017	A final detailed letter was sent to clubs. This letter detailed the financial implications of the new pricing methodology for each individual club. This letter provided a further opportunity for clubs to meet with officers to discuss the proposed pricing methodology and advised clubs that officers were proposing to recommend Council adopt the new pricing methodology. Further club specific meetings were held to clarify concerns or questions.
14 June 2017	A final email was sent to all clubs as a reminder to provide feedback on the proposed changes before the closing date of the consultation on 16 June 2017.

POLICY IMPLICATIONS

The principles of equity and transparency underpin the new methodology for sports ground fees and charges. The proposed methodology is also consistent with the Leasing and Licensing Policy endorsed at the August 2017 Council meeting.

The proposed methodology is consistent with the City of Monash's Fees and Charges Policy (2016) and the recommendations detailed in the *VAGO Fees and Charges – Cost Recovery by Local Government Report* (2010).

Importantly, the proposed fee methodology relates directly with the proposed *Active Reserves Facility Hierarchy* presented to Council at the 27 February 2018 Council meeting. The proposed *Active Reserves Facility Hierarchy* classifies Monash sport facilities based on distinct facility and service provision categories and accordingly higher grade facilities will generally cost clubs more per season than lower grade facilities.

SOCIAL IMPLICATIONS

There are no obvious adverse social implications as a result of this initiative. This modelling does not significantly alter the current fees and charges process for natural turf, and introduces a reduced rate for Monash clubs for synthetic. The community's free use of natural turf and synthetic fields, when not booked, is not impacted by these proposed arrangements.

HUMAN RIGHTS CONSIDERATIONS

There are no identified human rights implications.

FINANCIAL IMPLICATIONS

In the event of a team fee increasing by more than 15% on current costs, it is proposed that the club will have their fees incrementally increased by only 50% of the difference between the existing fee and the new fee over a period of two (2) seasons to transition to the new fees structure.

Revenue from fees and charges in 2017/18 is budgeted to return approximately \$261k to Council. The return to Council from applying the new natural turf pricing methodology will result in an increase of approximately \$70,000 pa based on the current number of club and teams. Under the proposed new fee model for synthetic fields, there is potential to increase revenue through the introduction of capped hours and five (5) categories of available fees. All hours booked by the tenant in excess of the capped 20 hours per week, and all additional non-tenant bookings, will provide a higher contribution towards cost recovery.

Should Council apply the new fees and charges for synthetic surfaces to Clubs retrospectively, the amounts of reductions for Chisholm United Club will total \$6050 and for Oakleigh Cannons will total \$2559. The new synthetic fees and charges schedule will apply for both of the tenant clubs at Gardiners Reserve once the upgrade project is complete.

CONCLUSION/RECOMMENDATION

Consultation with sports clubs has now been completed and generally clubs were accepting of the proposed methodology and supportive of a pricing system whereby junior fees are to be set at 50% of senior fees and under 13 year old team fees to be set at 25% of senior fees.

Some clubs are likely to experience fee increases under the new pricing methodology and officers met with concerned clubs to listen to their concerns as well as help them understand the equitable principles behind the methodology. These clubs did not fundamentally oppose the principles or rationale behind the new pricing methodology but requested Council incrementally increase their fees over a period of two (2) years. Where such requests have been made, it is proposed that officers will work with clubs to incrementally increase their fees by 50% of the difference between the existing fee and the new fee over a period of two (2) seasons to transition to the new fees structure.

It is recommended Council adopt the proposed methodology for determining sport ground fees and charges based on recouping a percentage of sports ground maintenance costs as follows:

- a) A 15% recovery of annual maintenance costs for natural turf playing fields;
- b) Junior fees to be set at 50% of senior fees and under 13 year old team fees to be set at 25% of senior fees;
- c) Turf cricket wicket users will incur an additional 15% turf wicket maintenance levy; and
- d) The introduction of a tiered fee structure for synthetic sports surfaces.

Once the new fee methodology for turf fees is adopted, it will be implemented from the summer 2018/19 season which will allow time for clubs to be informed of changes and to plan ahead. It is proposed that the synthetic turf fees will be implemented 2018 at the commencement of 2018 winter season. This will ensure that Council has a fair and consistent rationale underpinning the fees and charges for sports grounds based on recouping a consistent percentage of ground maintenance costs from all tenant clubs.

ATTACHMENTS

Attachment 1: Active Monash Fees and Charges Policy (Feb 2018)

Attachment 2: Proposed Annual Fees and Charges